

Message Text

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PAGE 01 BONN 13611 131719Z

61

ACTION AGR-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 1097

INFO USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

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DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: IMPLICATIONS OF THE EUROPEAN DROUGHT

REF: STATE 194278

1. SUMMARY: MINAG OFFICIALS STATED THAT THE DROUGHT CONDITIONS THIS YEAR ARE ABNORMAL, SHORT RUN, AND WILL NOT INFLUENCE THE ATTITUDE OF THE GERMAN GOVERNMENT TOWARDS THE COMMON AGRICULTURAL POLICY OR THE MTN. THEY BELIEVE THAT THE MOST IMPORTANT CAP PROBLEM WILL CONTINUE TO BE SURPLUS PRODUCTION AND THAT MAJOR EXPORTERS WILL HAVE AVAILABLE ADEQUATE AGRICULTURAL SUPPLIES TO MEET THE IMPORT REQUIREMENTS OF THE EC.

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PAGE 02 BONN 13611 131719Z

2. IN WIDE-RANGING DISCUSSIONS WITH SENIOR MINAG OFFICIALS, WE POINTED OUT THAT TOTAL COMMUNITY GRAIN PRODUCTION HAS DECLINED DURING THE PAST FEW YEARS, AND THIS YEAR THE GRAIN SELF-SUFFICIENCY RATIO WILL PROBABLY BE AT THE LOWEST LEVEL IN THE PAST DECADE. MINAG OFFICIALS STATED THAT THIS WAS OF LITTLE CONCERN TO THEM. THEY THINK THAT GRAIN PRODUCTION WILL PICK UP NEXT YEAR AND THAT THE ABNORMAL SITUATION THIS YEAR WILL PROBABLY NOT BE REPEATED IN THE FORESEEABLE FUTURE.

3. MINAG OFFICIALS STATED THAT BUDGET PROBLEMS IN THE EC ARE THEIR MAJOR CONCERN. THESE PROBLEMS ARE BEING CREATED BY SURPLUS PRODUCTION, ESPECIALLY OF LIVESTOCK PRODUCTS AND GRAINS. MINAG IS WORRIED THAT THE COMMUNITY WILL CONTINUE TO MAKE DECISIONS WHICH INCREASE THE EC AGRICULTURAL BUDGET TO FINANCE ADDITIONAL AGRICULTURAL SURPLUSES. MINAG IS ESPECIALLY CONCERNED THAT THE ELIMINATION OF THE MILK POWDER SCHEME WILL REQUIRE MORE DIRECT FINANCIAL SUBSIDIES BY THE COMMISSION TO MOVE NFDM INTO FEED CONSUMPTION. THEY ALSO THINK THAT THE PROGRAM WHICH THEY ARE PUSHING TO TAX MILK PRODUCERS WILL BE UNACCEPTABLE TO A NUMBER OF OTHER MEMBER STATES.

4. MINAG IS NOT CONCERNED ABOUT SUPPLIES OF AGRICULTURAL PRODUCTS FROM THIRD COUNTRIES. THEY SEE THE U. S. AND OTHER MAJOR AGRICULTURAL EXPORTERS AS SURPLUS FOOD PRODUCERS WHO MUST IN ORDER TO MAINTAIN FARM INCOME AND A FAVORABLE BALANCE OF PAYMENTS CONTINUE TO EXPORT TO THE MAJOR IMPORTING HARD CURRENCY COUNTRIES. FURTHERMORE, THEY DO NOT SEE NOW OR IN THE FORESEEABLE FUTURE PROBLEMS OF EXPORT SHORTAGES IN THIRD COUNTRIES.

HILLENBRAND

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